

Larry E. Craig, Chairman
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No. 26

Legislative Notice

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S. 955 – Foreign Operations, Export Financing, and Related Programs Appropriation Bill, 1998

Calendar No. 94

Reported by the Committee on Appropriations on June 24, 1997, by a vote of 27 to 1, with Senator Craig voting against. S. Rept. 105-35.

NOTEWORTHY

- As reported by the Committee on Appropriations, S. 955 provides a total of \$13.24 billion in new budget authority for foreign aid programs in FY 1998 [see attached chart]. This amount is some \$116 million below the President's request and \$933.1 million above the FY 1997 appropriation. [NOTE: This does not include the U.S. contribution to the new arrangements for borrowing by the International Monetary Fund of \$3.52 billion, which, according to the Committee Report, will not be scored as an outlay and will not increase the deficit. See page 4 of this *Notice*.]
- The Committee bill includes a number of earmarks, including the customary amount for Israel (\$1.2 billion in economic assistance and \$1.8 billion in military assistance). The earmark for Egypt (\$815 million in economic assistance and \$1.3 billion in military assistance) is *not* in the bill as reported from Committee but will be restored by a managers' amendment on the floor. [See page 2 of this *Notice* for details.] The Committee bill includes an earmark of \$150 million in economic aid for Jordan.
- S. 955 includes longstanding prohibitions regarding the use of U.S.-government funds to perform or promote abortion. However, it does *not* include provisions (called "Mexico City" restrictions) which deny family planning funds to foreign private organizations that use non-U.S.-government funds for abortion. Mexico City-type language has been included in the State Department authorization bill currently in House/Senate conference. [For further details on the history of House/Senate disagreement over the Mexico City policy, see RPC's *Legislative Notice* No. 2 of February 20, 1997, "H.J.Res. 36 — Joint Resolution Approving the President's Finding with Regard to International Family Planning."]

HIGHLIGHTS

Item	Budget Estimate	Recommended by Senate Committee	Increase (+) or decrease (-) Senate bill compared with budget estimate
Export Assistance.....	\$ 513,614,000	\$ 579,614,000	\$ +66,000,000
Economic Assistance - Bilateral....	7,590,855,000	7,700,648,020	+109,793,020
Military Assistance.....	3,374,250,000	3,355,000,000	-19,250,000
Economic Assistance - Multilateral.....	1,881,449,980	1,608,945,980	-272,504,000
Subtotal.....	13,360,168,980	13,244,208,000	-115,960,980
International Monetary Fund (IMF).....	3,528,000,000	3,521,000,000	-7,000,000
Grand Total.....	16,888,168,980	16,765,208,000	-122,960,980

BILL PROVISIONS

Title I: Export Assistance

This Title provides a total of \$579.6 million for institutions that support U.S. exports: the Export-Import Bank, the Overseas Private Investment Corporation (OPIC), and the Trade and Development Agency. This amount is \$55 million below the FY 1997 appropriation but \$66 million above the Administration request, reflecting the Committee's decision to provide an increased subsidy appropriation for Ex-Im Bank activities. The Committee Report notes that the Ex-Im Bank will experience a serious shortfall in 1997 funds, which the increase is intended to address.

Title II: Bilateral Economic Assistance

This Title appropriates funds for carrying out the provisions of the Foreign Assistance Act of 1961. Most of the moneys appropriated are managed by the Agency for International

Development (AID). For FY 1998, the Committee Recommendation for Bilateral Economic Assistance is \$7.7 billion, an increase of \$406.5 million over the FY 1997 appropriation and \$109.8 million more than the budget request.

- A major component of bilateral economic assistance is development assistance, for which the Committee provides funding of \$1.79 billion. This represents an increase of \$95 million over the budget estimate. The increase largely reflects increased funding to combat infectious diseases such as drug-resistant tuberculosis, malaria, dengue fever, and the ebola virus. Also included is an earmark of \$435 million for population control assistance.
- Middle East funding totals \$1.2 billion in economic support funds for Israel. According to the Committee Report (page 22), the usual earmark for Egypt (\$815 million) was omitted to reflect the Committee's concern regarding Egypt's record of compliance with the Camp David accords and the Egyptian-Israeli peace treaty: "At best, Egypt has chosen a course of cold peace [with Israel]. At its lowest point, decisions by the Egyptian leadership appear to lead other Arab nations down a course hostile to regional stability and security." Even without the earmark (which, it is anticipated, will be added on the floor), assistance would be available for Egypt from other economic support funds.
- The Committee allocates \$485 million for Eastern Europe and the Baltic states and \$800 million for the New Independent States of the former Soviet Union. Funds for Russia are conditioned on Moscow's ceasing its support for Iran's nuclear program. Half of the \$225 million available for Ukraine is withheld pending a presidential certification regarding that country's efforts to end corruption and improve the pace of economic policy reforms.
- Other than funds for democracy and rule of law programs, assistance to Cambodia is withheld until the Secretary of State certifies that certain conditions have been met relating to political violence and intimidation, elections, and corruption. (This provision is expected to be modified on the floor; see Possible Amendments, page 6.)
- The Peace Corps is allocated \$206 million, with \$14 million available in transfer authority. The effect is to maintain last year's spending level, which is \$2 million less than the budget request.

Title III: Military Assistance

Under this Title, the Committee recommends a total of \$3.36 billion, an increase of \$128.5 million over FY 1997 but \$19.3 million below the budget estimate. The following should be noted:

- The Committee bill includes an earmark for Israel of \$1.8 billion. The customary earmark for Egypt (\$1.3 billion) is not included but is expected to be added during floor consideration.
- The bill provides \$20 million to the Baltic states (Lithuania, Latvia, and Estonia) in grants and loans to improve their military capabilities and enhance their interoperability with NATO forces.
- Loans are provided to Greece (\$122.5 million) and Turkey (\$175 million) according to the customary 7:10 ratio.
- The Committee bill includes an appropriation of \$75 million for peacekeeping activities. This amount is \$10 million above last year's appropriation but \$15 million below the budget estimate.

Title IV: Multilateral Organizations and Programs

This Title consists of U.S. contributions to international lending institutions — such as the International Bank for Reconstruction and Development (also called the World Bank), the International Development Association, the International Finance Corporation, and several regional banks — and U.S. contributions to various international organizations and programs. The following should be noted:

- Apart from the new arrangements for borrowing of the International Monetary Fund (IMF), contributions to international financial institutions total \$1.33 billion, which is \$346 million more than the FY 1997 appropriation but \$184.5 million less than the Administration request.
- The new borrowing arrangements for the IMF (which was included in the budget estimate) totals \$3.52 billion. The Committee Report (page 46) states: "The Committee has supported the new arrangements for borrowing [NAB] with the understanding that any transfer of dollars to the IMF under the NAB will not be scored as an outlay and will not increase the deficit. Consistent with past agreements, the United States will receive in exchange another monetary asset in the form of a liquid, interest bearing claim on the IMF. This claim is backed by the IMF's gold reserves."
- The Committee bill allocates \$277 million for international organizations and programs, compared to last year's spending of \$269.9 million and the budget estimate of \$365 million.

Title V: General Provisions

This section contains a number of provisions directed towards specific policy questions, including the following:

Sec. 501 amends current law to prohibit board members or officers of any of the Enterprise Funds established pursuant to the SEED (Support for East European Democracy) Act from deriving any benefit from the Fund's transactions.

Sec. 502 prohibits funds appropriated under Title II of this bill from being used to support international financial institutions (which are funded under Title IV).

Sec. 507 prohibits direct funding for Cuba, Iraq, Libya, North Korea, Iran, Sudan, and Syria.

Sec. 517 states that it is the policy and intention of the United States that the annual economic support funds for Israel shall not be less than the annual debt repayment (interest and principal) from Israel to the United States in recognition that such a principle serves United States interests in the region.

Sec. 521 places a special notification requirement on funds obligated or expended for Colombia, Guatemala (exclusive of development assistance), Dominican Republic, Haiti, Liberia, Pakistan, Peru, Serbia, Sudan, and the Democratic Republic of Congo.

Sec. 524 bars indirect assistance to Cuba, Iraq, Libya, Iran, Syria, North Korea, and China.

Sec. 528 prohibits bilateral assistance to countries that support terrorism.

Sec. 550 prohibits assistance to foreign governments that export lethal military equipment to countries supporting international terrorism.

Sec. 551 requires the deduction from the funds available to any country an amount equal to 110 percent of the unpaid parking fines owed to the District of Columbia by that country.

Sec. 554 permits a drawdown of up to \$25 million to support the United Nations War Crimes Tribunal for former Yugoslavia.

Sec. 563 imposes bilateral and multilateral economic sanctions for countries harboring persons indicted by the International Criminal Tribunal for Rwanda.

Sec. 566 requires the President to submit a report on labor practices in Burma (Myanmar), notably the use of forced labor on the Yadonna gas pipeline.

Sec. 573 bars bilateral and multilateral funds (other than for humanitarian, demining, and democracy programs) to Croatia, Serbia, and portions of Bosnia and Herzegovina under Croat or Serb control, unless (1) the President certifies that the majority of war criminals residing in these areas have been transferred to the International Criminal Tribunal for the Former Yugoslavia, and (2), six months thereafter, that all such war criminals have been transferred.

COST

Excluding outlays from prior-year budget authority, CBO estimates that this bill would result in outlays of \$5.09 billion in FY 1998, \$3.96 billion in FY 1999, \$1.62 billion in FY 2000, \$960 million in FY 2001, and \$1.6 billion in FY 2002 and thereafter.

ADMINISTRATION POSITION

No Administration position was available at press time.

POSSIBLE AMENDMENTS

Faircloth. Strike new arrangements for borrowing for International Monetary Fund.

Specter. Condition aid to Palestinian authority on cooperation on terrorism.

Lautenberg. Withhold 5 percent of aid to countries not supporting Libya sanctions.

Coverdell. Increase funding for Peace Corps.

Allard. Cut funds for OPIC.

McConnell. Modify Cambodia aid restrictions.

Managers. Restore Egypt earmarks.

Dodd/McCain. Modify drug certification process.

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COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1997 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1998

Item	1997 appropriation	Budget estimate	Committee recommendation	Senate Committee recommendation compared with (+ or -)	
				1997 appropriation	Budget estimate
TITLE I--EXPORT AND INVESTMENT ASSISTANCE					
Export Assistance Appropriations.....	916,614,000	815,614,000	881,614,000	-35,000,000	+66,000,000
Negative Subsidies and Offsetting Collections.....	-282,000,000	-302,000,000	-302,000,000	-20,000,000
Total, Export Assistance.....	634,614,000	513,614,000	579,614,000	-55,000,000	+66,000,000
TITLE II--BILATERAL ECONOMIC ASSISTANCE					
Bilateral Development Assistance.....	3,831,576,000	3,701,255,000	3,830,548,020	-1,027,980	+129,293,020
Other Bilateral Economic Assistance.....	3,462,600,000	3,889,600,000	3,870,100,000	+407,500,000	-19,500,000
Total, Bilateral Economic Assistance.....	7,294,176,000	7,590,855,000	7,700,648,020	+406,472,020	+109,793,020
TITLE III--MILITARY ASSISTANCE					
Foreign Military Financing Program:					
Grants.....	3,224,000,000	3,274,250,000	3,265,000,000	+41,000,000	-9,250,000
Direct loans, subsidy costs.....	60,000,000	66,000,000	74,000,000	+14,000,000	+8,000,000
(Estimated level of direct loans).....	(540,000,000)	(699,500,000)	(791,800,000)	(+251,800,000)	(+92,300,000)
Subtotal, Foreign Military Financing Program:					
Budget authority.....	3,284,000,000	3,340,250,000	3,339,000,000	+55,000,000	-1,250,000
(Program level).....	(3,764,000,000)	(3,973,750,000)	(4,056,800,000)	(+292,800,000)	(+83,050,000)
Other, Military.....	108,475,000	140,000,000	122,000,000	+13,525,000	-18,000,000
Special Defense Acquisition Fund.....	-166,000,000	-106,000,000	-106,000,000	+60,000,000
Total, Military Assistance Programs.....	3,226,475,000	3,374,250,000	3,355,000,000	+128,525,000	-19,250,000
TITLE IV--MULTILATERAL ECONOMIC ASSISTANCE					
Contributions to International Financial Institutions.....	985,904,710	1,516,449,980	1,331,945,980	+346,041,270	-184,504,000
International organizations and programs.....	269,950,000	365,000,000	277,000,000	+ 7,050,000	-88,000,000
Total, contribution for Multilateral Economic Assistance.....	1,155,854,710	1,881,449,980	1,608,945,980	+353,091,270	-272,504,000
Subtotal*.....	12,311,119,710	13,360,168,980	13,244,208,000	+833,088,290	-115,960,980
International Monetary Fund (IMF).....	3,528,000,000	3,521,000,000	+3,521,000,000	-7,000,000
Grand total**.....	12,311,119,710	16,888,168,980	16,765,208,000	+4,354,088,290	-122,960,980

*Does not include new arrangements for borrowing (NAB) for International Monetary Fund. See page 4.

** Includes NAB